

The Middle East: Petroleum Supply Security or Political Stability?

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Introduction

While many situations of instability and conflict in the Middle East remain restricted on a limited scale, any internal or regional crisis affecting the security of petroleum supplies from the area to world markets is immediately considered as a threat to international peace. The world, and especially the West, is in fact more concerned about a strife in the region if it is associated with either a threat to or an actual disruption of petroleum supplies. This behaviour derives from an implicit conviction that Middle Eastern petroleum is to be "shared" among its producers and consumers, being vitally and strategically important to the latter's economies.

In fact, the present geopolitical and strategic importance of the Middle East is mainly the result of its petroleum resources. As holder of the world's most abundant proven reserves of crude oil (about 62 percent of the total in 2006), or around 743 billion barrels, as well as the world's highest reserve-to-production ratio (eighty years compared to forty years worldwide), the paramount importance of the region within the international system is self-evident. Middle Eastern oil production amounted to some 31 per cent of the world's total in 2006 when around half of the global oil trade originated from the region, which is expected to retain the role of major source of incremental supplies that it has had since the 1940s.

The Middle East also includes large actual and potential natural gas producers that would significantly alter the international supply picture, if supplies were interrupted. A helping factor is the quite huge gas resource base in the area in relation to its current and expected level of demand. At the beginning of 2007, natural gas reserves in the region accounted for about 41 percent of the world's total, or around 73,500 billion cubic meters that alone are sufficient to satisfy current worldwide consumption for more than twenty-five years. However, considering the enormous potential of the Middle East, little has been done so far to exploit its natural gas reserves. The 2006 gas reserves-to-production ratio was relatively very high, covering more than 200 years compared to only sixty-three years worldwide.

But while petroleum confers on the Middle East its geopolitical and strategic weight, it is also the region's Achilles' heel: any dispute or conflict there could be tempted to materialize first by striking at the petroleum industry that remains the backbone of many states in the area. Some of the recent crises in the region were associated with either a threat to or an actual disruption of oil supplies. Oil was even used as a political weapon by Arabs in the aftermath of the 1967 and 1973 conflicts with Israel.

Add to all that the fact that there are only few industries more vulnerable both on land and at sea than the petroleum industry, and the world has got a major interest in an issue of prime importance: *the security of petroleum supplies from the Middle East*.

While the petroleum production installations in the Middle East have been highly exposed to internal attack and instability, the six maritime channels in the region—the Suez Canal, the straits of Hormuz, Bab Al Mandeb and Tiran, and the two Turkish straits, and their concentration of petroleum shipping, have always been faced with the danger of closure or blockade. When not faced by that danger, petroleum tankers have been vulnerable to attack from air, land and sea (including floating mines) and therefore their safety cannot be fully guaranteed. The shipping routes in the region are indeed vulnerable along their entire length.

Oil pipelines built in the Middle East have generally focused on the security of supply and export rather than the economic objective of cheaper oil transport. Nevertheless, that security objective has not been met through pipelines. An assessment of the historical record of the petroleum pipelines in the region until the end of 2006 reveals that during the 360 years representing the cumulative age of the international export pipelines (crossing at least one state boundary), some 165 years of actual pumping, or only 46 per cent, have been recorded (reference to be added). It is also interesting to note that every international export pipeline in the region was shut down at least once. As far as the internal export pipelines are concerned, the ratio of actual pumping has reached 83 per cent. Thus, the overall ratio of actual pumping amounts to some 61 per cent (then an interruption ratio of 39 per cent!) representing 367 years over a cumulative total age of 602 years, or 235 years of interrupted pumping.

Few believe the security of petroleum supplies from the Middle East has tended to have a circumscribed meaning unrelated to its political context. The argument is based on the fact that the three wars involving Iraq (in the 1980s, early 1990's and 2003) show that oil production and export installations are far less vulnerable than is often assumed, and that the experience of those conflicts suggests that overland oil transportation through pipelines is more resilient to attack than maritime outlets and sea transportation. Then, because of the diversification of the oil transportation system, and with a few additional pipelines, a stage may be reached where oil exports from the region would be considered as 'very safe'.

In fact, only few pipelines in the Middle East appear to have been shut down as a result of military hostilities. Pipelines in the region running above ground, as well as pumping stations, were only hit intermittently by a direct terrorist attack or air strikes. Both Saudi and Iraqi lines to the Mediterranean have been temporarily cut by terrorist actions and air attacks, while only some sections and pumping stations of the Iraqi export system were damaged as a result of the conflicts involving that country since the early 1980s.

However, this argument seems not to take into consideration the main reasons behind the closure of many export pipelines in the Middle East, i.e., the political conflicts within producing countries or transit states, and the interstate disputes. In fact, most of the pipelines crossing state boundaries have fallen victim to the region's political rivalries and conflicts. The pipelines built to carry oil from Iraq to the Mediterranean coasts help to demonstrate the point. The line built before the Second World War to Haifa (then in Palestine) was permanently closed in 1948 as a result of the first Arab–Israeli conflict, while lines to Lebanon's Tripoli and Syria's Baniyas repeatedly fell victim to Iraqi–Syrian antagonism. In the political aftermath of the 1990–91 conflict over Kuwait, the oil pipeline terminating at the Saudi Western coast has been shut down since August 1990, whereas those built through Turkey to Ceyhan on the Mediterranean had been closed until 1996.

It is true that decades of pipeline and export terminal construction have diversified Middle Eastern oil and gas export routes and significantly reduced their vulnerability, a trend that will be reinforced by the execution of some of the planned pipelines and terminals. But the threats of political disruption in producing or in transit countries, as well as interstate conflicts and/or

subsequent military hostilities, further fuelled by many elements of instability in the region, are strongly present. This situation occurs at a time when terrorist attacks are growing in number and shape, and long-range missiles are being developed and acquired by countries in the area, shaking the military balance and leading to a rethinking of security in global terms.

Considering that producing countries in the Middle East are largely living off their hydrocarbon resources and consequently having to sell them, and that transit fees constitute an important share of the transit countries' revenues, one can argue that the risk of permanent or sustained interruption of petroleum supplies from the region is slight, as a result of "the mutual dependency stabilizing factor." However, the possibility of short-term (weeks, months, or even years) interruption of petroleum supplies because of governments in the region losing control over one or more of the endogenous pressures along the area is considered to be high. Arab oil embargoes applied in the aftermath of the 1967 and 1973 conflicts with Israel, and the international sanctions against Iraq between 1990 and 2003 have further demonstrated the point.

All this leads us to reply to the question suggested by the title of the present paper by confirming that there is indeed no security for petroleum supply from the Middle East without real political stability in the region. Nevertheless, the turbulent history of the area does not augur well for stability: if it is not one country it is another, and if it is not one issue it is another. That induces us to conclude that one of the greatest threats to petroleum market stability in the years ahead remains the potential for conflicts and disputes in the Middle East.

Regrettably, there are still those who believe that—since the United States appears prepared to act as the policeman in the Middle East—future conflicts in the region can effectively be localized and threats to stability quickly eliminated. But such a complacent approach towards potential regional instability implies a serious misunderstanding of the conflict dynamics of in the area, which could ultimately result in reverse impacts.

Likewise, there are still those who believe that a final peace (if there is one!) between Arabs and Israel will bring an end to all problems in the Middle East. Maybe this is due to the fact that the Arab–Israeli conflict has dominated much of the general discussion about the region's developments over the past sixty years. However, such a peace, which will surely shift the perception of political risk of the area, will be unable to eliminate all of the factors of conflict and instability militating in favour of the region's continuous political volatility. Unfortunately, insufficient attention has been devoted to those factors that may not be quite as eye-catching or newsworthy or even maybe about which there is lack of information.

Some of those potential sources of instability and conflict in the Middle East are imminent, while others are inherent and historic, incipient, latent and potential, and internal or interstate. They are broadly comparable, and include the autocratic nature of the regimes and the struggle for power, interstate ideological cleavages, military antagonisms and race, ambition and structure of armed forces, sectarian minorities and religious rivalry, ethnic heterogeneity and minorities, border disputes, disparity in economic development, social impacts of economic constraints, divergence in petroleum policies, struggles over water, demographic explosion, disparity in population growth, and troubles caused by foreign labour migration, internal flight and flows of refugees. Those factors are generally interrelated and interdependent.

Many hope to see the Middle East experiencing the same peaceful atmosphere prevailing in Western Europe since the end of the Second World War after long centuries of wars, conflicts, and disputes, and despite relatively better prospects for peace between Arabs and Israel. However, many of those underlying causes of the region's instability and conflict appear to be strengthening. This reflects a new political environment in which main threats have been replaced by less-than-vital concerns. The reduction of major threats, like the Israeli one, has diminished the need for regional cohesion and national unity, and has led to states and communities feeling able to pursue past claims. But the consequent surfacing of many underlying causes of instability

and conflict in the region is also symptomatic of far deeper political differences in an area that is not monolithic, and where many divisive elements exist—witness the tribal and dynastic differences which are at times accentuated by resource considerations and historical or cultural animosities.

Rather than identifiable threats to peace, those factors of conflict and instability are grounds for uncertainty about the future. They may remain dormant or deferred, yet always bearing the potential to re-emerge as catalysts of conflicts under the appropriate conditions. Instability and unrest could erupt any time and anywhere in the region, regardless of what has happened in the past, leading to "a chain of conflict reaction." Such a chain reaction, launched and fuelled by many subjective and concrete elements, is unpredictable by nature. A chain reaction in the area due to interstate conflict or internal instability might indeed be triggered off by a change in one country, broadening the scope of friction and implicating other states within the region. How and to which extent, such a chain reaction will be triggered off remains an open question.

The threats are real, and their unpredictable and varied nature renders the problems of countering them even more difficult. They need to be dealt with in a comprehensive manner but, truth to tell, there are no easy solutions.

Seen from another angle, it would be quite illusory to continue talking of the 'stability' of the Middle East, while disregarding the legitimate national aspirations and economic development imperatives of its countries. Thus, long-term market prices reflecting the real economic value of these countries' resources, lower budget deficits, more investment, greater shared prosperity, relevant budgets and development plans and less military spending, but also more democracy and regional co-operation, and less (or at least fair and respectful) foreign intervention, all form a "virtuous circle."

Only if the Middle East manages to enter this virtuous circle and let energy and peace work for each other, will the region emerge into a new era. At that time, the area will be able to unleash its huge economic potential and only then will the world be able to rely on the region's greatest asset after its people, its petroleum and gas.

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